

**BOARD OF PATENT APPEALS AND INTERFERENCES  
IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Applicants : Howard Lutnick, et al.  
Application No. : 10/015,738 Confirmation No. : 3474  
Filed : December 12, 2001  
Title : METHODS AND SYSTEMS FOR TRADING FUTURES  
CONTRACTS FOR INTANGIBLE ASSETS  
Group Art Unit : 3691  
Examiner : Michael R. Zecher

Mail Stop Appeal Brief-Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, Virginia 22313-1450

**REPLY BRIEF UNDER 37 C.F.R. § 41.4**

Sir:

This is a Reply to the Examiner's Answer dated January 23, 2009.

The Commissioner is hereby authorized to charge any additional fees which may be required or credit any overpayment, to Deposit Account No. 50-3938.

## I. RESPONSE TO ARGUMENTS

Arguments are presented in an order based on the Examiner's answer to the Applicants' brief. Headings match the Applicants' brief. Additional subheadings identify newly presented or expanded arguments in light of the Examiner's answer and maintain similar ordering for continuity sake. All original arguments are maintained and supplemented with the following.

### 1. First Group 1-12, 14, 16-24, and 26 - No Prima Facie Showing of Obviousness.

#### a. The Examiner Fails To Address All Claim Limitations

##### The Examiner has still failed to address all claim limitations

Applicants claim 1 recites "*providing...indications designed to permit **secondary trading** between current holders of the futures contracts and **prospective holders** of the futures contracts*". The Examiner, however, states that the combination of cited sections of U.S. Patent No. 5,970,479 to Shepherd '(hereinafter Shepherd '479) and cited sections of U.S. Patent No. 7,149,720 to Shepherd (hereinafter Shepherd '720) teaches a system that provides indications designed to permit trading of futures contracts between at least two parties." (Examiner's Answer, Page 11) Applicants have indicated several times that the Examiner has failed to address the actual limitation of claim 1, and in particular, the Examiner has ignored at least the **secondary trading** and **prospective holder** elements of the recited claim limitation. (Examiner's Answer, Page 11) Accordingly, the Examiner, after extensive opportunity to remedy this failure, has still failed to address the actual claim and has instead made an argument about another statement that is not related to the claim. Therefore, this rejection should be withdrawn.

##### The Examiner has not shown support for his argument

### SEPARATE ARGUMENT OF PATENABILITY

The Examiner has not pointed to evidence that shows “*secondary trading*” as recited in claim 1, but rather has pointed to sections of the prior art that describe primary trading. Paragraph 10 of Applicants’ specification clearly distinguishes between initial primary offerings and subsequent secondary trading and Paragraph 23 of Applicants’ specification details some workings of secondary trading. Secondary trading is generally understood to include trading of a financial instrument after the financial instrument is sold to a primary purchaser by the issuer of the financial instrument.

The Examiner points to Shepherd ‘479 column 1, line 60 through column 2, line 32; Shepherd ‘720 column 4, lines 13-24; Shepherd ‘720 column 4, lines 57-67; and Shepherd ‘720 column 5, line 36 through column 6, line 19 for alleged support of his rejection. (Examiner’s Answer, Page 11) Shepherd ‘479 column 1, line 60 through column 2, line 32 generally discusses why an entity may desire to sell a futures contract to hedge risk. Shepherd ‘720 column 4, lines 13-24 generally discusses why an entity may desire to hedge risk. Shepherd ‘720 column 4, lines 57-67 generally discusses actions that are taken by parties to a contract. Shepherd ‘720 column 5, line 36 through column 6, line 19 generally discusses basic mechanisms for exchanging obligations and providing credit. Nowhere in these cited section is there any teaching or suggestion of “*secondary trading*”, but rather there is only a basic teaching of exchange and credit. The Examiner has not cited any evidence to support his statements regarding secondary trading, and therefore, the rejection should be withdrawn.

The Examiner has read an addition limitation into the claim

The Examiner appears to have read a limitation of executing a trade into the claim that is not present. (Examiner’s Answer, Page 10) Applicants believe that the extra limitation that the Examiner identifies is irrelevant to patentability, but point out that the limitation of execution is not included in the claims. The preamble of claim 1, “a method of trading,” identifies a broad application for the method that may or may not include an execution of a trade.

**b. The References Do Not Teach Indications As Recited in the Claims****SEPARATE ARGUMENT OF PATENABILITY**

Claim 1 recites “*indications designed to permit secondary trading between current holders of the futures contracts and prospective holders of the futures contracts.*” The Examiner provides no evidence to support his unreasonable interpretation of the claim limitations. In particular, the Examiner alleges that indications involving the supervisory institution discussed by the combination of Shepherd ‘479 and Shepherd ‘720 satisfy the limitation of because the supervisory institution is a holder of a futures contract. (Examiner’s Answer, Page 12)

The term “holder” is widely understood to include an entity with the ability to take advantage of and/or be affected by rights and/or obligations of a held contract. The specification supports this definition:

The trader holding the futures contract at the time of the contract start date must fulfill the terms of the contract to the baseball player. The trader holding the futures contract at that future time may then, however, sell the services of the baseball player to any baseball team, for instance, for greater or less than the contract terms. (See Specification, Paragraph 24)

In stark contrast, the supervisory institution discussed by the combination of Shepherd ‘479 and Shepherd ‘720 has no such ability but rather only performs credit transactions as discussed on pages 12- 14 of Applicants’ Appeal Brief.

To demonstrate the absurdity of the Examiner’s position, consider a holder of a couch. A widely understood definition of such an individual would include the individual who has the couch placed in his or her living room and has the ability to sit on the couch at any desired time. The Examiner proposes that instead of this person, that Visa (or whatever other credit card company was used to purchase the couch) is the holder of the couch even though Visa has no rights to use the couch at all.

This definition is clearly divergent from a reasonable definition and the examples that support such a definition provided in the specification. Accordingly, the Examiner has failed to provide any support for his unreasonable claim interpretation and therefore the rejection of claim 1 should be withdrawn.

**c. The References Do Not Teach Futures Contracts As Recited in the Claims**

**SEPARATE ARGUMENT OF PATENABILITY**

The Examiner has not addressed claim limitations involving futures contracts

Claim 1 recites:

*“the futures contract obligates a holder of the futures contract to make a **future payment obligation** of an obligee to an obligor and entitles the holder to control a **future performance obligation** of the obligor.”*

The Examiner states on page 13 of the Examiner’s Answer that futures contracts are

“an agreement to **buy or sell** a specific amount of a **commodity or financial instrument** at a particular price on a stipulated future date.”

This definition is clearly and unambiguously contrary to what is in the claim and therefore amounts to an admission that the Examiner has failed to address the actual futures contracts recited in the claims. In particular, the claimed futures contracts include **future payment obligations** and **future performance obligations**, whereas the Examiner’s definition does not involve these elements but instead involves **buying or selling commodities or financial instruments**. This is an unreasonable definition to apply to the futures contracts of claim 1 because claim 1 explicitly recites a futures contract that does not involve the buying or selling of any commodity or financial instrument.

Accordingly, the arguments made by the Examiner completely ignore the limitation that “*the futures contract obligates a holder of the futures contract to make a **future payment obligation** of an obligee to an obligor and entitles the holder to control a **future performance obligation** of the obligor*” because they are based on an unreasonable and incompatible definition of futures contracts involving **buying or selling of commodities or financial instruments**. Applicants therefore request a withdrawal of the presented rejection.

The references provided teach away from futures contracts

Claim 1 recites “, indications designed to permit secondary trading between current holders of the futures contracts and prospective holders of the futures contracts” The cited references of Shepherd ‘479 and Shepherd ‘720 both explicitly teach away from the use of futures contracts. In particular, Shepherd ‘479, Column 2 lines 27 to 45 and Shepherd ‘720 Column 2, lines 44 to 61 both recite:

“In the face of such `economic` risk, it is known for individuals and enterprises to hedge against adverse outcomes by indirect means such as self-insurance, and directly by means such as **futures contracts**, forward contracts, and swaps.

**There are disadvantages or limitations associated with such available economic risk management mechanisms.** Particularly, they provide, at best, only indirect approaches to dealing with the risk management needs. The available mechanisms are relatively expensive, and provide limited phenomenon coverage, and therefore cannot meet the requirements of the party seeking to hedge against such wide-ranging future risk. The infrastructure and pay-out costs associated with switching between, say, a commodities market and a stock market are often prohibitive for entities small and large alike. As a consequence, entities find themselves saddled with obligations they have little control over and cannot escape.”

Accordingly, because each of the cited references of Shepherd '720 and Shepherd '479 teach away from the limitations recited in claim 1 rather than teaching or suggesting such limitations, the rejection of this claim using these references should be withdrawn.

### **SEPARATE ARGUMENT OF PATENABILITY**

#### **The Examiner has mischaracterized Applicants' arguments**

With regard to our argument, the Examiner implies that Applicants have only addressed one reference. (Examiners Answer, page 13) In contrast, Applicants have pointed out that none of the cited references teach or suggest futures contracts that "*obligate a holder of the futures contract to make a future payment obligation of an obligee to an obligor and entitles the holder to control a future performance obligation of the obligor*" and therefore the combination of the references cannot possibly teach or suggest this missing element under 35 U.S.C. 103.

### **SEPARATE ARGUMENT OF PATENABILITY**

#### **The Examiner has invented a new requirement for patentability**

The Examiner has imposed a requirement for patentability that is at odds with actual legal standards for patentability of a method claim. (Examiner's Answer, Page 14) The Examiner states that method claim 1 must include a structural difference in order to be patentable. The Examiner provides no support for this newly invented requirement. In contrast to the Examiner's contention, the requirements for patentability of a method are clearly laid out in statute, including, for example, subject matter by 35 U.S.C. 101, novelty by 35 U.S.C. 102, non-obviousness by 35 U.S.C. 103, and so on. Nowhere in these requirements is a structural difference for a method claim identified.

Applicants believe that the Examiner is confusing a discussion of structure presented in the MPEP for other statutory classes with a legal requirement. There is no discussion of structural differences that apply to method claims and accordingly, the new

requirement invented by the Examiner is improper. Applicants therefore request withdrawal of this rejection.

Moreover, with respect to claim 26, an apparatus claim, Applicants traverse the rejection. Since the Examiner provides for support of this requirement, Applicants believe it may have been presented based on the MPEP. The MPEP may not be applied against applicants in this instance. The MPEP foreword states that the MPEP has no force of law. The Executive Office of the President recently ordered all federal agencies that they may not impose requirements on external parties through informal guidance documents that were not promulgated through notice-and-comment procedures, such as the MPEP. Therefore, the MPEP does not impose legally-binding requirements on applicants. The MPEP does not have binding force of law to introduce this requirement. And accordingly, it is improperly imposed on Applicants in this case.

Even if the MPEP states a correct rule of law that applies to Applicants claims, computers readable medium and computer-based systems can only achieve an intended result if they are programmed to do so, and thus reaching an intended result requires specific programming, a “structural difference.” Accordingly, Applicants’ claims provide a structural difference and this rejection should be withdrawn.

## **2. Second Group: Claims 13, 15, 25, and 27 - No Prima Facie Showing of Obviousness.**

### **a. Schefter Does Not Teach, Suggest, Or Disclose The Missing Elements Of Shepherd ‘479 and Shepherd ‘720**

#### **SEPARATE ARGUMENT OF PATENABILITY**

#### **The Examiner has admitted Schefter does not teach the Missing Elements**

The Examiner has admitted that the article, Adam Schefter, “Pay day for prime-time Broncos Long-term contracts awarded [Rockies Edition];” Denver Post; Denver, Colorado; July 20, 1999, pg. D.01 (hereinafter “Schefter”), does not teach the missing elements of



Shepherd '479 and Shepherd '720. (Examiner's Answer, Page 16). Accordingly, the rejections of these claims should be withdrawn.

### **SEPARATE ARGUMENT OF PATENABILITY**

#### **The Examiner has mischaracterized Applicants' arguments**

With regard to our argument, the Examiner implies that Applicants have only addressed one reference. (Examiner's Answer, Page 16) We point to our previous argument on this point and note that we have pointed out that none of the cited references teach or suggest several elements of the claims as discussed above and in Applicants' brief. Therefore the combination of the references cannot possibly teach or suggest this missing element under 35 U.S.C. 103.

**II. CONCLUSION**

Arguments made above with respect to a claim of one claim group apply similarly to the rest of the claims of the group except where identified otherwise. Arguments made about independent claims apply to the dependent claims thereof. Accordingly, the withdrawal of all rejections of all claims is requested.

In view of the foregoing, Appellants submit that all of the pending claims are in proper condition for allowance, and the Board is respectfully requested to overturn the Examiner's rejection of these claims.

Respectfully submitted,

/Mark Miller/

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Date

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